

**QUARTERLY UPDATE
TO THE LEGISLATURE
MEDI-CAL MANAGED CARE PROGRAM**

**Period
October through December 2006**

**California Department of Health Services
Medical Care Services
Medi-Cal Managed Care Division**

**MEDI-CAL MANAGED CARE
QUARTERLY UPDATE TO THE LEGISLATURE**

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I. Purpose of the Update

The Budget Act of 2005, authorized expansion of the Medi-Cal Managed Care Program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma and Ventura.

In addition, the California Department of Health Services' (CDHS), Medi-Cal Managed Care Division (MMCD) proposed to convert Fresno County from a Two-Plan model to a Geographic Managed Care (GMC) model. Beginning January 1, 2006, the CDHS is required to provide quarterly updates to the policy and fiscal committees of the Legislature on the core activities to improve the Medi-Cal Managed Care Program and to expand into the 13 new counties.

The updates shall include:

- Progress or key milestones and objectives to implement changes to the existing program;
- Submittal of state plan amendments to the federal Centers for Medicare and Medicaid Services;
- Submittal of any federal waiver documents; and
- Applicable key functions related to the Medi-Cal Managed Care expansion effort.

II. Key Milestones and Objectives

Collaboration with California HealthCare Foundation (CHCF)

The CDHS partnered with the CHCF to develop enhanced performance standards for Medi-Cal managed care plans for services for persons with disabilities and chronic illnesses. The CDHS received the CHCF recommendations in a report titled, "Performance Standards for Medi-Cal Managed Care Organizations Serving People with Disabilities and Chronic Conditions" on November 21, 2005. The CDHS requested comments and input from its contracting health plans regarding these recommendations.

The CDHS completed an initial analysis of the 53 recommendations to determine the applicability of the recommendations to the target population and assess the feasibility of each recommendation. The report, including its recommendations, is currently making its way through the deliberative process.

Concurrent with the review of the report, the Department is assessing the recommendations for opportunities to implement in the immediate future. For example, the CHCF report recommended that plans include committee representation of individuals living with disabilities and chronic health conditions. The CDHS is currently undergoing a process to standardize contract language among the primary model of managed care, and it will include language to implement this recommendation, expanded to include seniors, in that process. Another example of continuing the work related to the CHCF project is the CDHS participation in the multi-state project to develop a performance measure for seniors and persons with disabilities (see Item 4 on page 5). This project is also consistent with recommendations in the CHCF report to develop and select

performance measures for this population. The Department has also increased its Managed Care Advisory Group representation to include programs that serve persons with disabilities and advocates that work on their behalf. Although the Administration has not yet released the draft response to the CHCF report, it is fully engaged in activities to appropriately serve seniors and persons with disabilities.

General Program Activities

The CDHS is currently undertaking or has completed the actions listed below to enhance and improve the Medi-Cal Managed Care program.

1. MMCD is working on a project to permit individuals who are eligible for both Medicare and Medi-Cal (commonly referred to as dual eligible), to simultaneously enroll in both a Medicare health plan and an existing Medi-Cal managed care health plan in Two Plan and Geographic Managed Care model counties. Dual eligibles are automatically enrolled in County Organized Health System Plans (COHS). Currently, if a dual eligible is first enrolled in a Medicare health plan and attempts to enroll in a Medi-Cal managed care health plan, the State's enrollment contractor's system will prevent enrollment in the Medi-Cal managed care health plan. With completion of this project, dual enrollment will be allowed contingent on the Medicare and Medi-Cal managed care health plan being operated by the same managed care organization. This will permit managed care organizations to provide better coordination of care and benefits across product lines for those members with dual eligibility and enrollment.

The CDHS staff is working in collaboration with the Centers for Medicare and Medicaid Services (CMS), the California Association of Health Plans, and individual Medi-Cal managed care health plans that have or are working towards securing a Medicare line of business, to resolve issues related to data systems changes, capitation rates, marketing and beneficiary informing materials. On August 22, 2006, CMS provided training to the CDHS staff on the Medicare lines of business, specifically Medicare Advantage/Special Needs Plans, which will assist with implementation of this project. Due to the complexities associated with this project, including modification of data transmission from CMS and system modifications for both the CDHS and the managed care enrollment contractor, the CDHS anticipates completion by July 2007.

The CDHS has convened a workgroup including representation from health plans, advocates for the Seniors and Persons with Disabilities (SPD) population and CMS to collaborate on implementation of this project. The workgroup met in September 2006, and held several meetings in December. The workgroup formed a subgroup to discuss marketing issues, address the differences in Medicare and Medi-Cal marketing requirements and enhance concurrent review of marketing material between the CDHS and CMS. This group met in November 2006 and again in January 2007.

Note: this program enhancement is separate and distinct from the

“Medicare HMO Wraparound Pilot” proposed in Assembly Bill 2979 (Richman). AB 2979 would have allowed new health plans to contract with the CDHS to deliver services to dual eligible individuals; whereas this program enhancement is limited to existing Medi-Cal managed care plans.

2. The CDHS provided the Medi-Cal managed care plans with 2006 Health Employer Data and Information Set (HEDIS) rates in late August 2006. Plans scoring at or below the 25th percentile of the national Medicaid average for any required measure must submit Improvement Plans (IPs) for each measure indicating root causes, interventions to be implemented, assigned teams, and the timeline for implementing the interventions and re-measuring. The 2006 HEDIS summary report is in process and will be available on the CDHS website once complete.
3. The CDHS reconvened the default algorithm advisory group, made up of health plan representatives, consumer advocates and the California Healthcare Foundation in June 2006 and August 2006, to review the results of the first year of the new default algorithm, and to plan improvements for year two. The CDHS notified plans of minor changes and policies in November 2006 and implemented the second year of the algorithm on December 1, 2006. The most significant change to the second year algorithm was including a component for change over time improvement or decline on measures from year one to year two. The default algorithm rewards Two-Plan Model and Geographic Managed Care health plans with a higher percentage of default enrollments based on superior performance on specific performance measures: five HEDIS performance measures and two traditional and safety net provider performance measures.
4. In June 2006, MMCD began work on a two-year grant, the Purchasing Institute Technical Assistance (PITA) for Managed Care for Persons with Disabilities. The PITA which is designed to help states improve health care delivery to the SSI-eligible populations through focused training and technical assistance will convene semi-annual face-to-face meetings and regular telephone conference calls with the states, the Center for Health Care Strategies (CHCS) staff and invited experts. The first year has focused on development and testing of a performance measure determined by all six participating states, and the second year will focus on implementing an intervention to improve care coordination.

The California four-member team attended the first face-to-face meeting in Indianapolis, Indiana on July 25 and 26, 2006, at which the participating states presented their preliminary areas of interest and additional states shared relevant experiences and projects. Significant interest was expressed by several states in the area of coordination of physical and mental health.

MMCD is now participating in bi-weekly conference calls with the other five states and CHCS to develop the performance measure. Each state is using the Agency for Healthcare Research and Quality Preventive Quality Indicators for twelve selected ambulatory sensitive conditions that

evidence suggests could have been avoided through better outpatient care to infer care coordination may be needed. CHCS is now leading the discussion with state on appropriate use of these measures.

CHCS has begun initial work with the states on the second module of this project (to begin July 2007) and may ask states to do specific interventions. This second module will be a separate project and may not necessarily be focused on the same patient population as the population in the first year. CHCS is convening a face-to-face meeting of state participants on February 27 and 28, 2007 in San Francisco, CA to continue work on the first module and flesh out ideas for the second module.

5. In July 2006, the CDHS entered into an interagency agreement with the University of California, Berkeley (UCB), School of Public Health, to develop a Medi-Cal Managed Care guide to better inform seniors and persons with disabilities SPDs of the advantages of Medi-Cal managed care and increase awareness of the Medi-Cal Managed Care program. UCB will develop and focus test a comprehensive Medi-Cal Managed Care guide for beneficiaries that explains these options with the goal of increasing voluntary enrollment of SPDs into Medi-Cal managed care. The project will span two fiscal years with work beginning in FY 2006/07 and will form the foundation of a larger statewide effort to outreach to the SPD population to increase their awareness and encourage their enrollment into Medi-Cal managed care health plans.

The project includes the formation of an advisory group to provide input for the content and dissemination of the guide. The advisory group is comprised of representatives of target communities; Medi-Cal Managed Care organizations, policy-making organizations, and advocacy groups for SPDs. CDHS and UCB convened the first meeting of the advisory group in September 2006, to introduce and discuss the project's concept. Input was received from members of the group regarding the special needs that SPDs have in the enrollment process. UCB has begun outreach efforts to consumers with the intention of recruiting approximately 200 representative consumers for in-depth interviews and later focus testing of materials as they are designed. Approximately 5,000 letters were mailed to Medi-Cal beneficiaries in SPD aid codes.

The CDHS is amending the Interagency Agreement to extend the service period through the 08/09 fiscal year. This will allow for the statewide implementation of the guide produced by the pilot effort as well as identification of other strategies to enhance outreach to this population.

6. Mercer Government Human Resources Consulting (Mercer) was engaged in May 2005, by the CDHS to review the Medi-Cal base data, and to recommend opportunities for improvement to the current capitation rate development process, and reimbursement structure. The Mercer report, released January 26, 2007, recommended that the CDHS adopt a plan-specific, experienced-based rate methodology, in which capitation payments to contracted health plans be matched to their relative risk. The

report also identified some plan "Pay for Performance" opportunities.

The major components of the Mercer study and the resulting report have already been shared with Medi-Cal managed care health plans. In December of 2005, a meeting was held with the health plans to share the goals and methodology of the study. Plan feedback was sought during the meeting and written comments were accepted after the meeting. Both individual health plans and health plan associations responded.

Second and third meetings with health plans were held in May and December 2006, respectively. The preliminary results of the study were presented in May and the final recommendations were presented at a very high level in December 2006. Overall the CDHS has received a positive reception to the study. It should be noted, however, that health plans are not in agreement over which findings they support or oppose.

7. The CDHS has successfully completed its "Same Day Banking" Project with the State Controller's Office (SCO). Contracting health plans are now allowed to elect the option of wiring hardcopy warrants to various depository institutions selected by the SCO. The CDHS notified contracting health plans of this option in an All Plan Letter dated November 1, 2006.
8. On November 29, 2006, the Medi-Cal Managed Care Division (MMCD), Medi-Cal Policy Division, and several MMCD health plan Medical Directors met with representatives from Planned Parenthood Affiliates of California (PPAC) and the Department's Office of Family Planning. The purpose of the meeting was to work together to resolve billing, reimbursement, and communication issues.

At the conclusion of the meeting, the CDHS agreed to re-examine the existing family planning policy letters to determine if an updated letter is needed; research reimbursement for family planning services by provider type (community clinic versus physician) to determine appropriate billing rate; and to research feasibility of providing plan formularies to the Planned Parenthood Affiliates. Additionally, the Planned Parenthood Affiliate staff and the Medical Director's agreed that they would work together on individual site specific problems.

9. In December 2006, MMCD added a number of new managed care reports to its webpage to make the results of federally required external quality review activities available to members, plans, and the public. These newly available reports include the *2004 Annual Report on Medi-Cal Managed Care*, 19 plan specific *Quality Reviews* for 2005, and the *Quarterly Report on Quality Improvement Projects* for the second quarter of 2006. MMCD will continue to make these external quality review reports available at <http://www.dhs.ca.gov/mcs/mcmcd/htm/ManagedCareReports.htm> as new reports are released.

10. The CDHS continues to monitor the current financial status of contracted managed care plans. Since a number of plans have been continually facing financial challenges, the CDHS has expanded its financial monitoring efforts requiring all plans to provide financial forecasts for the next four quarters. Additionally, for the plans that are experiencing financial difficulty, the CDHS will be conducting a reconciliation of reported Medi-Cal medical costs for the last State fiscal year. This reconciliation is expected to provide insight into the plan's operating efficiencies and inefficiencies and provide a valid starting point for the CDHS internally prepared financial projections.

III. State Plan Amendments

Nothing new to report.

IV. Federal Waivers

At this time, it has not been necessary to seek a waiver modification for Medi-Cal managed care expansion. The managed care model the CDHS and expansion counties agree upon will determine the type of waiver modifications the CDHS will be required to submit to CMS. Current federal law limits the number of COHS plans in California. Development of either a new Demonstration Waiver (1115 waiver) or specific federal statute permitting an additional COHS is required for the creation of any new COHS in California.

The Department submitted its Santa Barbara Regional Health Authority (SBRHA) 1915(b) waiver renewal package to CMS in September 2006. The SBHRA waiver renewal submission was approved by CMS on December 27, 2006.

The Department is currently developing the renewal of its Health Insuring Organizations of California (HIOs) Waiver. This waiver covers the county organized health systems in Orange, Napa, Yolo, Solano, Monterey and Santa Cruz counties. The CDHS will send the renewal package to CMS in March 2007, with an expected approval date of June 30, 2007.

V. Key Activities on Medi-Cal Managed Care Expansion

Information to Health Plans and Expansion Counties

The CDHS continues to provide health plans and expansion counties with data sources that may be useful in the planning process for the expansion of Medi-Cal managed care. These sources are available online and available to all affected stakeholders. In addition, the CDHS is generating updated utilization data reports representative of the Medi-Cal beneficiary populations in each of the expansion counties.

The CDHS provides expansion updates to health plans on at least a quarterly basis through individual meetings with health plan CEOs and Medical Directors. The Department also provides similar updates to the bi-monthly Medi-Cal Managed Care Advisory Group meetings.

Interactions with Expansion Counties

Eleven of the thirteen expansion counties and Fresno County (an existing managed care county that will be affected by the current expansion efforts) have endorsed a managed care model they believe is best suited to meet the county needs. Of the remaining two, one county is close to a final decision, and discussions are continuing with each of these remaining counties. The table on page 11 provides additional information regarding the status of each expansion county. The CDHS has issued a revised timeline for implementation based on these decisions (also reflected in the table on page 11). The CDHS is developing prospective capitation rates for the counties of Marin, Sonoma, Lake, Mendocino, Placer and San Luis Obispo and will be sharing them with the affected COHS plans for planning purposes and development of provider networks.

Recent developments are summarized as follows:

- Sonoma County has completed its planning group process. The planning group sent a letter to the county health director recommending that the County Board of Supervisors (BOS) endorse Sonoma's affiliation with the Partnership Health Plan of California (PHC) COHS. In addition, the planning group issued a report of its findings and presented it to the BOS at the December 2006, meeting.
- El Dorado County has submitted a draft of a proposed model to implement Medi-Cal managed care as an alternative to the Geographic Managed Care (GMC) model proposed by the Department. It has proposed that a COHS be implemented through delegated risk contract with the County and a single HMO. Staff is analyzing the proposal; however, the lack of federal legislative authority to expand the number of COHSs effectively prevents this option.
- Imperial County continues its strategic planning process and plans to provide a recommendation to the County Board of Supervisors in early 2007.
- The San Benito County Board of Supervisors has endorsed the CDHS proposal for the County to affiliate with the Central Coast Alliance for Health (CCAH) a COHS model health plan that operates in Monterey and Santa Cruz counties; however, the county has not secured the endorsement of managed care with local stakeholders and providers. A meeting was held in late June 2006, involving CCAH, local providers, and the CDHS staff to discuss provider reimbursement, provider responsibilities, network formation and the providers' concerns about managed care. Local stakeholders are skeptical as to the advantages of linking with CCAH. . Additionally, CCAH is experiencing current financial problems and has expressed concern about an aggressive expansion into San Benito County. These issues are currently delaying expansion work with this county.
- The CDHS continues to hold monthly teleconferences with Fresno, Kings, and Madera County representatives. The three counties are developing a joint powers agreement to form a tri-county regional health system

infrastructure and governing authority. This regional Two-Plan Model will cover all three counties. Representatives from the three counties met in October 2006, to discuss steps toward creating the joint powers authority (JPA) to administer the local initiative under the tri-county system. They are seeking funding sources that will offset administrative and legal costs incurred in establishing the JPA infrastructure.

- Merced and Ventura county officials are seeking federal legislation to become new COHS plans. Representative Lois Capps (CA-23) introduced H.R. 5721, which would amend the Consolidated Omnibus Budget Reconciliation Act of 1985 and permit new COHS in Merced and Ventura. This bill was co-sponsored by Representative Dennis Cardoza (CA-18) and Representative Elton Gallegly (CA-24) and was assigned to the Subcommittee on Health. It will probably be reintroduced in the current session.

Expansion County Stakeholder Meetings

The CDHS staff continues to meet with and provide technical assistance to counties and stakeholders in discussions related to expansion of managed care. In counties where final decisions and Board of Supervisors resolutions are received, the CDHS has facilitated discussions between county officials, stakeholders, and health plans.

Medi-Cal Managed Care Division (MMCD) Update of Expansion Implementation Dates and Managed Care Models

County	Original Implementation Date	Revised Implementation Date	Managed Care Model
El Dorado	3/01/07	Pending further discussion with MMCD	Pending further discussion with MMCD
Imperial	3/01/07	Pending further discussion with MMCD	Pending further discussion with MMCD
Placer	3/01/07	1/01/08	GMC
Fresno	10/1/07	7/1/09	Conversion to Tri-County Regional Two-Plan (with Kings and Madera)
Kings	10/1/07	7/1/09	Tri-County Regional Two-Plan (with Fresno and Madera)
Madera	10/1/07	7/1/09	Tri-County Regional Two-Plan (with Fresno and Kings)
Merced	10/1/07	Pending COHS authority	New COHS
Lake	4/01/08	12/01/08	COHS Join Partnership Health Plan
Marin	4/01/08	12/01/07	COHS Join Partnership Health Plan
Mendocino	4/01/08	12/01/08	COHS Join Partnership Health Plan
San Benito	4/01/08	Pending further discussion with MMCD	COHS Join Central Coast Alliance for Health
San Luis Obispo	4/01/08	7/01/08	COHS Join Santa Barbara Regional Health Authority
Sonoma	4/01/08	7/01/08	COHS Join Partnership Health Plan
Ventura	4/01/08	Pending COHS authority	New COHS

GMC = Geographic Managed Care
COHS = County Organized Health System